

WEATHERING THE STORM – EMERGING FROM THE COVID-19 CRISIS AS A STRONGER COMPANY

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SIKA CAPITAL MARKETS DAY 2020

BUILDING TRUST



THE IMPACT OF COVID-19

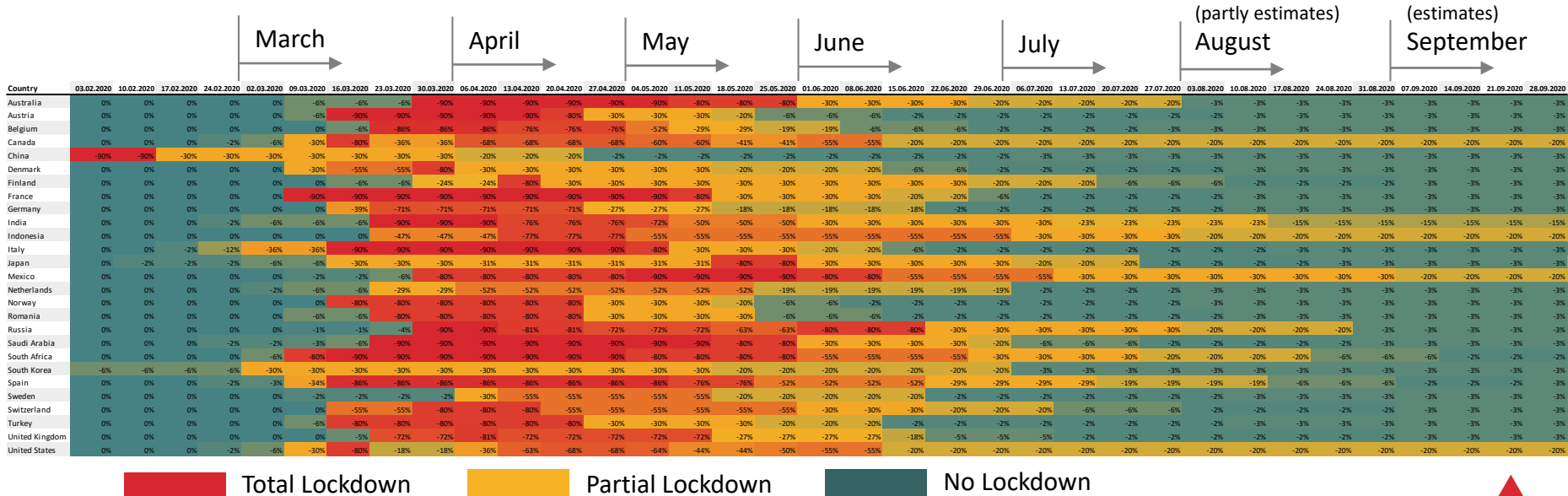
MAINTAIN HIGH FLEXIBILITY

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THE IMPACT OF THE PANDEMIC FEBRUARY TO SEPTEMBER 2020

- Severe COVID-19 wave started in March
- Around 35 of 100 Sika countries with full lockdown for about two months in the first half of the year, rest of countries strongly impacted



MEASURES ADDRESSING PANDEMIC SITUATION

MAINTAIN HIGH FLEXIBILITY

Measures

Operational Agility

- General
 - Strong local management actions in each country
 - Preparation and response according to local situation which differs from country to country, scenario planning
 - Taking advantage of local support measures
 - Focus on market opportunities, driving improving sales trend

Operating Profit & Cash Focus

- Efficiency
- Cost Structure
- NWC & CapEx
 - Drive Efficiency initiatives
 - Accelerate integration of acquisitions (for example Parex)
 - Adaptation of cost structure, reduction of expenses
 - Tight monitoring and management of Accounts Receivables
 - Align inventory needs and processes
 - Reduce/postpone non-critical CapEx

Liquidity

- Cash Balance
 - High cash balance of CHF 557.6 million (Half Year 2020)
- Credit Line
 - Unused, fully committed credit lines (RCF) of CHF 1,250 million, no covenants
- Bond Maturity
 - No maturity until July 2021 (CHF 170 million)

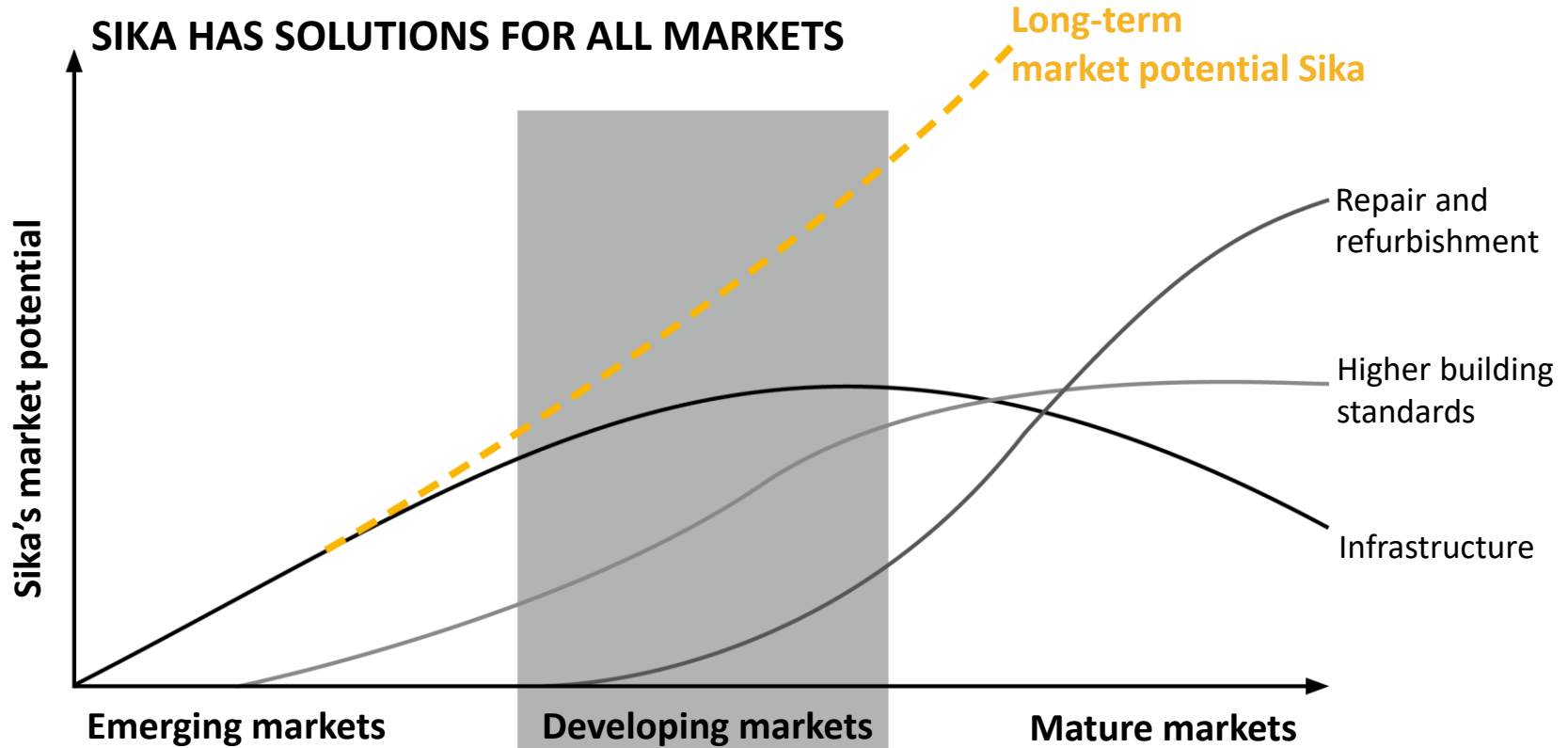
SIKA'S SUCCESS FACTORS IN THE CIRSIS

NAVIGATING THE PANDEMIC

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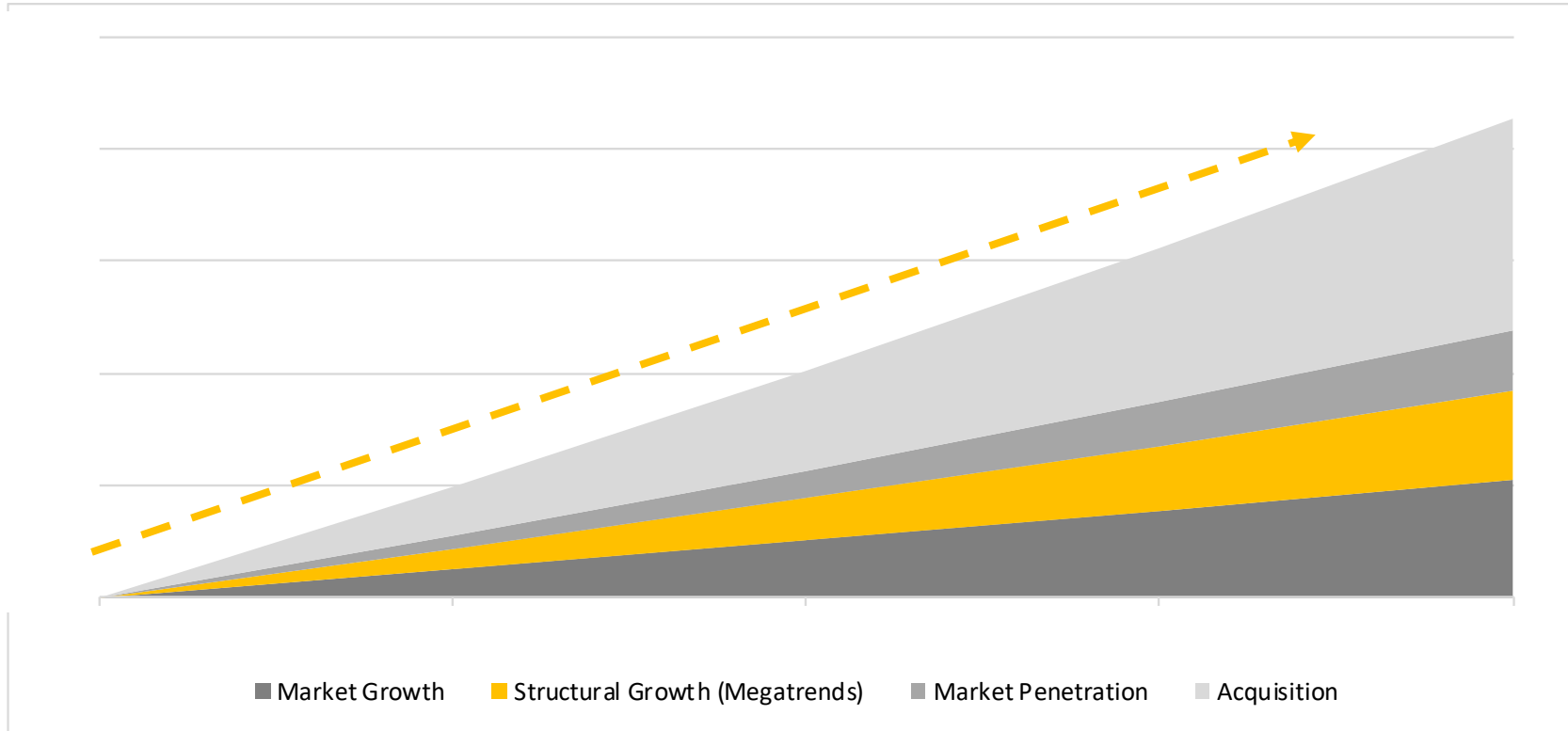


GROWTH MODEL WITH EARLY MARKET PENETRATION FROM NEW-BUILD TO REFURBISHMENT



STRUCTURAL GROWTH, MARKET PENETRATION AND ACQUISITION

HOW SIKA DELIVERS SUPERIOR AND SUSTAINABLE GROWTH OF 6-8%

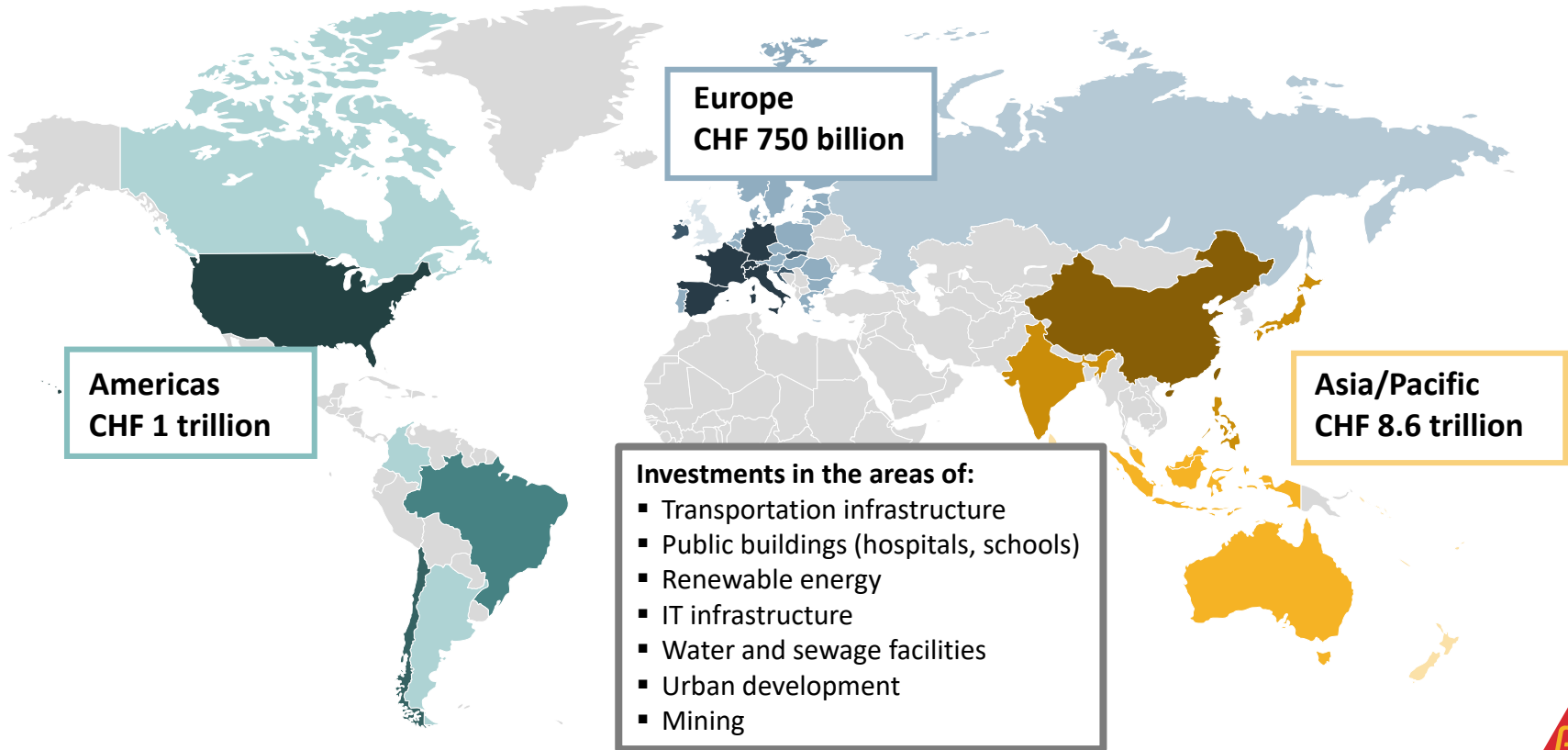


Growth in local currencies



INFRASTRUCTURE PROGRAMS STIMULATE MARKET GROWTH

CHF 10 TRILLION PLANNED STIMULI FOR CONSTRUCTION



INFRASTRUCTURE PROGRAMS STIMULATE MARKET GROWTH

EXAMPLES OF COVID-19 INFRASTRUCTURE PROGRAMS



EU

- **EUR 750 billion**
EU recovery plan
- Focuses on renewable energy, refurbishment, and clean mobility



USA

- Lowest common denominator between the two parties is a **USD 1 trillion** infrastructure program
- A bill has not yet been passed

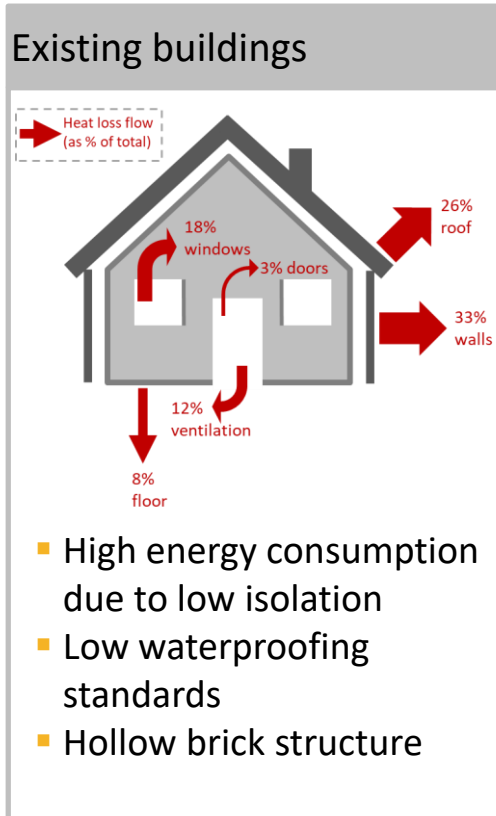


China

- Investment plans and major infrastructure projects of up to **USD 7 trillion**
- Focuses on digitalization, information, infrastructure

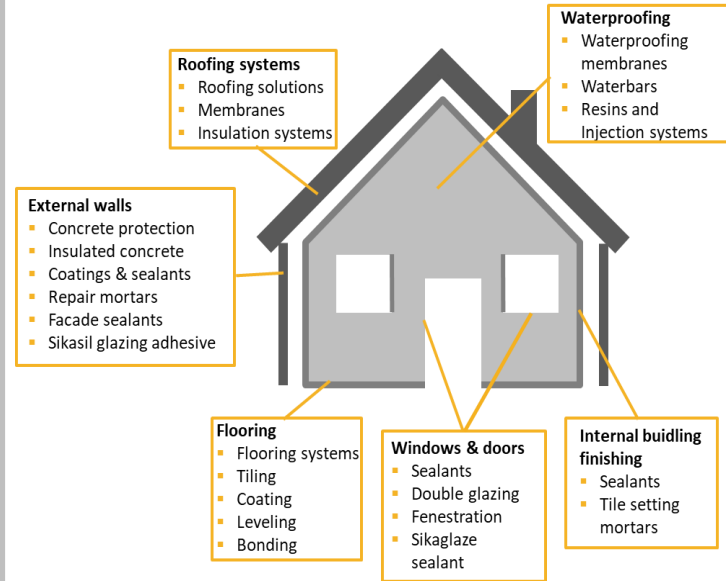
EU GREEN DEAL INITIATIVE TO BOOST BUSINESS

SIKA TO PROFIT AS GLOBAL LEADER IN BUILDING FINISHING



=

Sika solutions reducing heat loss and water impact



DIGITAL ECONOMY AND E-COMMERCE UNLOCKING ADDITIONAL POTENTIAL

- COVID-19 has accelerated digital and e-commerce boom
- Increasing investments from civil infrastructure to data centers
- Sika as preferred provider of Roofing, Flooring, Concrete, Fire Protection, and Waterproofing solutions for data centers of big Key Accounts

Huge investments in data-transfer and G5 technology

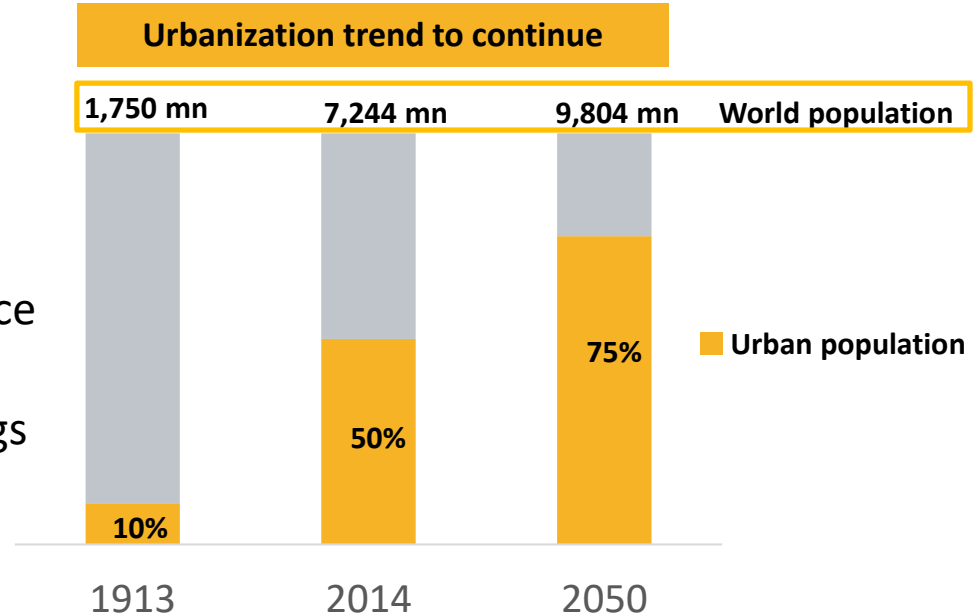
Increasing need for data centers drives demand for Sika solutions



TREND FOR MORE URBANIZATION CONTINUES

UNLOCKING ADDITIONAL POTENTIAL

- Big cities remain highly attractive
- Companies will not transition to 100% home office mid-term
- Even if less people will be working in office buildings, social distancing requirements will remain and more space will be needed
- Drive towards more sustainable buildings
- Rising demand for home improvement

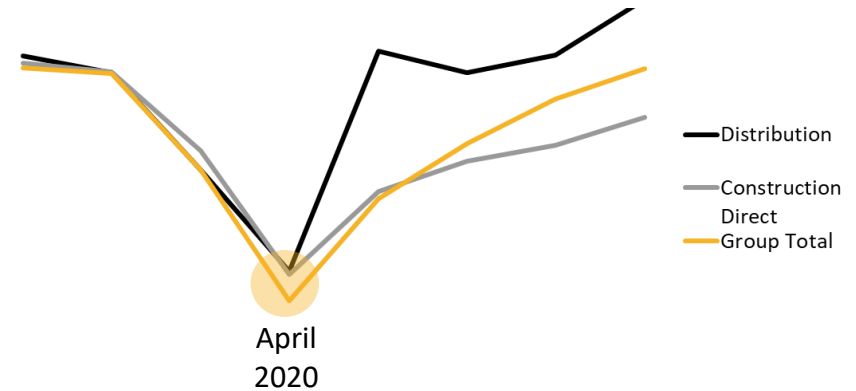


RESILIENT AND GROWING IN DISTRIBUTION BUSINESS

INCREASING OPPORTUNITIES

- Boom in DIY business
 - Home improvement business is booming
 - Leading retail and hardware store chains report strong double digit increase in sales during lockdown
 - Access to numerous amount of small end-users (craftsmen, tilers, etc.)
 - Lockdown brought new customer generation of Millennials and Generation X

- Sika's distribution business highly resilient



CAGR past 5 years:
Distribution Market: 3%

Sika: 18%

+71%

sales increase in
e-commerce in 2020

SUCCESS FACTORS IN THE CRISIS

OVERALL STRONGER GROWTH OF REFURBISHMENT BUSINESS

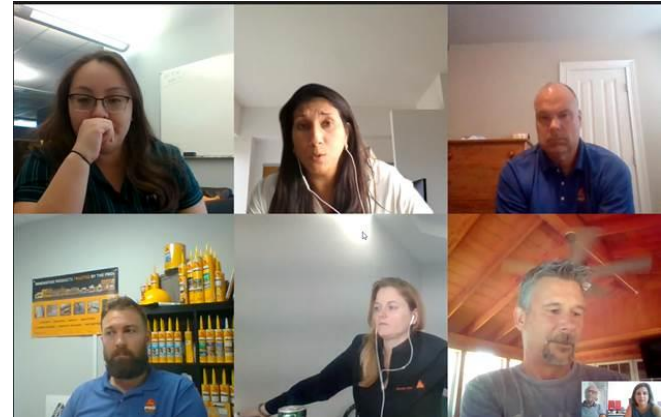
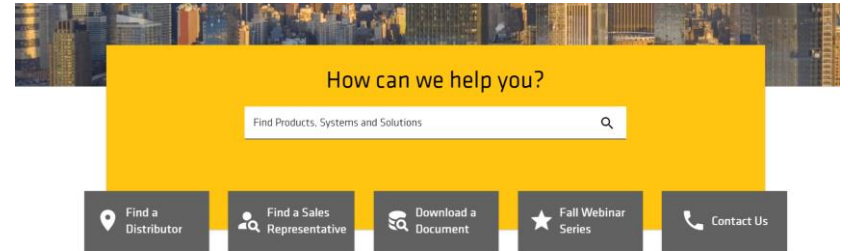
- High resilience of refurbishment in crisis
- Urbanization and densification drive the need for refurbishment
- Structures have to be maintained
- Complexity favor refurbishment over new build
- New regulations and building standards make refurbishment mandatory



SUCCESS FACTORS IN THE CRISIS

STRONG CUSTOMER FOCUS

- Close contact with customers
 - Daily calls and personal contact
 - Over 100,000 webinars and online trainings
 - New sales-driven website with access to all products in all countries
- Solution-driven mentality



SUCCESSFUL PAREX INTEGRATION

ON TRACK TO MEET AMBITIOUS TARGETS

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FAST AND SUCCESSFUL INTEGRATION OF PAREX EXCELLENT PROGRESS – COMPLETION IN FOCUS

TOTAL SYNERGIES

Around CHF 100 million identified

TOTAL COST SYNERGIES

CHF 55 million

CHF 40 MILLION+

Run rate synergies achieved to date

CROSS-SELLING

500+ initiatives tracked, 48% of them in cross-selling

PRODUCT LAUNCHES

34 new products launched in over 10 countries

SHOP IN SHOP

concept launched in China in **42,700 STORES**

23 INTEGRATED

TEAMS working together to achieve results



SHORT RE-VISIT OF STRATEGY 2023

ON TRACK TO MEET AMBITIOUS TARGETS

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MAJOR MEGATRENDS SUPPORTING SIKA'S GROWTH

NO CHANGES DUE TO PANDEMIC

TECHNOLOGY
ADVANCEMENT



RAPID
URBANIZATION



DYNAMIC
ECONOMY



CLIMATE CHANGE,
SHORTAGE OF
RESOURCES



CHANGING
DEMOGRAPHICS



SIKA'S GROWTH STRATEGY 2023

THE PILLARS OF THE STRATEGY

SUSTAINABILITY

Market Penetration

Innovation

Operational Efficiency

Acquisitions

Values

6-8%
annual growth

25%
of sales with new
products

0.5%
pts non-material
cost improvement
as % of net sales

15-18%
EBIT margin
Until 2020: <15%

>10%
Operating free cash
flow per year as % of
net sales

>25%
ROCE by 2023

12% CO₂ emission reduction per ton sold

MARKET PENETRATION

INCREASE MARKET SHARE TO 12%

Driver for future growth:
How we increase market share

New
Target Market

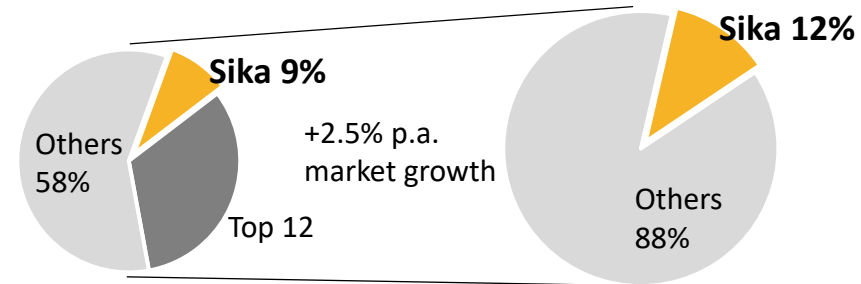
Building Finishing

- 1 Emerging Markets
- 2 Key Project Management
- 3 Cross-Selling
- 4 Channel Penetration
- 5 Strong Sika Brand

Initiatives

Construction chemicals
market 2020
approx. CHF 70 billion

Construction chemicals
market 2025
approx. CHF 80 billion



INNOVATION

MORE PERFORMANT – MORE SUSTAINABLE

Focus on Sika's **five core technologies**

25% of sales with new products

Increased focus on product sustainability:
more performant
more sustainable

Shift in construction to 3D printing and modular construction

- Drive innovation to stay the clear market leader and drive growth and margins
- Drive increase of productivity and sustainability in construction

FIVE CORE TECHNOLOGIES:

Concrete Technology



Adhesive Systems



Coating Systems



Cementitious Systems



Thermoplastic Systems



93 new patents
in 2019

122 inventions
in 2019

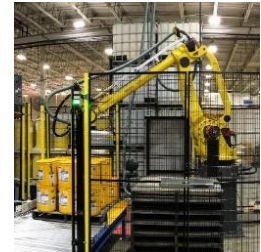
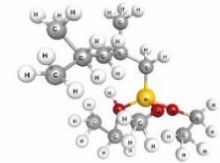
OPERATIONAL EFFICIENCY DRIVES MARGIN IMPROVEMENT MORE THAN OPERATING LEVERAGE

Sika's footprint significantly expanded over the years

Initiatives to
increase
operational
efficiency

- 1 Operations / Factory Efficiency
- 2 Formulation Efficiency
- 3 Logistics
- 4 Procurement
- 5 Sales and admin costs in %

0.5% savings expected every year

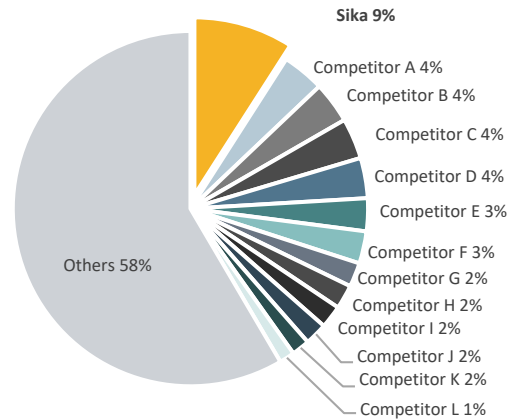


ACQUISITIONS AS GROWTH PLATFORMS

NUMEROUS OPPORTUNITIES TO CONSOLIDATE MARKET

- Fragmentation offers acquisition opportunities
- Sika acting as market consolidator
- More than 60 bolt-on acquisitions in the last 12 years
- Acquisitions as growth platforms
- Solid pipeline but due diligence process hindered by COVID-19

Construction chemicals market 2020
approx. CHF 70 billion



VALUES AND PRINCIPLES

WHAT SIKA STANDS FOR

- Customer first
- Courage for innovation
- Sustainability and integrity
- Empowerment and respect
- Manage for results

Global Employee Survey in 2019

showed very high commitment to work and identification with Sika. Employees are proud to work for Sika.

25,000
employees

6.0%
employee turnover
rate in 2019

**HIGH
COMMITMENT
OF EMPLOYEES
DURING
PANDEMIC**



SUSTAINABILITY

70% OF SIKA PRODUCTS WITH POSITIVE SUSTAINABLE IMPACT

- 70% of Sika products with a **positive sustainable impact**
- Sika products help to drive CO₂ footprint of our customers down

Overall target

12% CO₂ emission reduction per ton sold by 2023

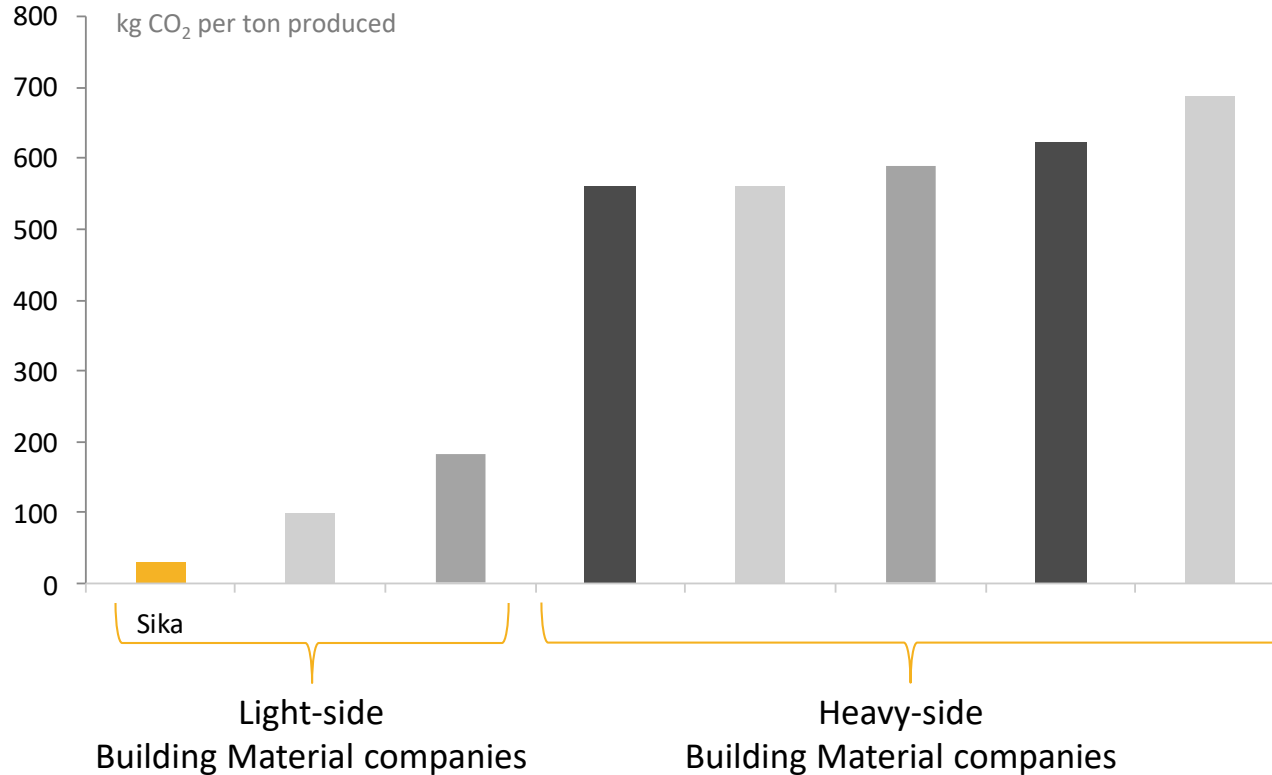
Our «More Value - Less Impact» targets:

- Sustainable Solutions
- Community Engagement
- Occupational Safety
- Climate Performance
- Energy
- Waste/Water



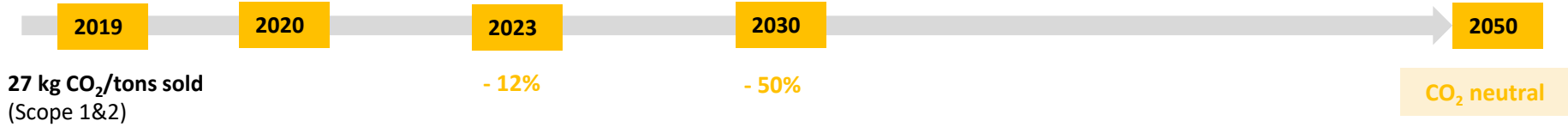
HIGH EMISSIONS IN THE BUILDING INDUSTRY

CONSTRUCTION CHEMICALS ENABLER FOR STRUCTURAL CHANGE



SUSTAINABILITY – CLIMATE PERFORMANCE

STRATEGIC CO₂ TARGET LEADS TO CLIMATE NEUTRALITY BY 2050



In 2020 Sika concentrates on Scope 1 and 2

Internal CO₂ footprint

Scope 1 (direct)

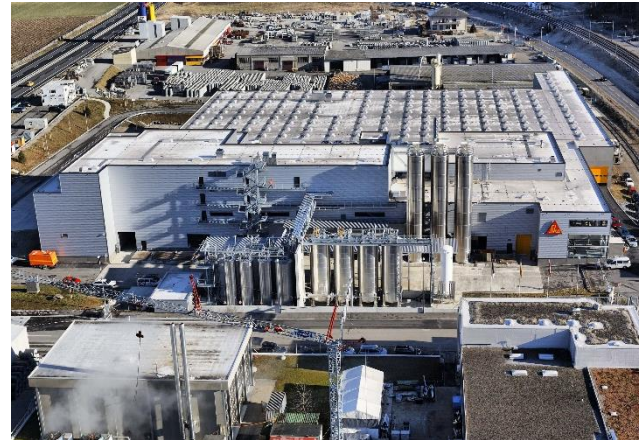


- Internal fossil fuel usage
- Energy production

Scope 2 (indirect)



- Purchased energy, mainly electricity



SIKA ENABLES SUSTAINABLE CONSTRUCTION

SIKA PRODUCTS DRIVE CO₂ FOOTPRINT DOWN

Scope 3 (external CO₂ footprint)

70% of Sika products with a positive sustainable impact

HIGH-STRENGTH CONCRETE WITH
Sika® ViscoCrete®

**REDUCES CONCRETE
CONSUMPTION**

AS THINNER CONSTRUCTIONS ARE
POSSIBLE

Sika® ViscoCrete® TECHNOLOGY
ALLOWS FOR

**REDUCTION OF CEMENT
CONTENT BY 25%**

ENABLING REPLACEMENT OF
CEMENT WITH FLY ASH AND SLAG



Sika® ViscoCrete® TECHNOLOGY
ENABLES **UP TO 40%**
REDUCTION OF WATER
CONTENT IN CONCRETE



SIKA ENABLES SUSTAINABLE CONSTRUCTION

SIKA PRODUCTS DRIVE CO₂ FOOTPRINT DOWN

Scope 3 (external CO₂ footprint)

70% of Sika products with a positive sustainable impact

SIKA SOLUTIONS FOR REPAIR AND
REFURBISHMENT

**STRENGTHEN, WATERPROOF,
INSULATE, PROTECT, AND REPAIR**
BUILDINGS AND STRUCTURES

SIKA REPAIR SYSTEMS

**PROLONGS LIFETIME, INCREASE
SAFETY AND ENERGY EFFICIENCY**

SIKA'S OFFERING INCLUDES:
STRUCTURAL STRENGTHENING SYSTEMS,
WATERPROOFING AND REPAIR MORTAR,
WATERPROOFING AND PROTECTIVE COATINGS.



SIKA ENABLES SUSTAINABLE CONSTRUCTION

SIKA PRODUCTS DRIVE CO₂ FOOTPRINT DOWN

Scope 3 (external CO₂ footprint)

70% of Sika products with a positive sustainable impact

SIKA SUPPLIES HIGHLY DURABLE,
ROOT RESISTANT MEMBRANES FOR

GREEN ROOFS

- REDUCE URBAN HEAT EFFECT AND IMPROVE AIR QUALITY
- INSULATING QUALITIES LEAD TO ENERGY SAVINGS
- NOISE POLLUTION REDUCTION
- SUPPORT BIODIVERSITY



LONGEVITY

- WARRANTIES ACCORDING TO CUSTOMER REQUIREMENTS
- MANY SIKA ROOFS ARE **40 YEARS** AND OLDER

SIKA SOLAR-REFLECTIVE MEMBRANES FOR

COOL ROOFS

REDUCE ENERGY CONSUMPTION BY UP TO
15%

ROOF RECYCLING PROGRAM

CONSERVES NATURAL RESOURCES WITH **36,000**
TONS OF PROCESSED RECYCLED MATERIALS
DIVERTED FROM LANDFILLS TO DATE

OUTLOOK

OUTLOOK

CONTINUATION OF SUCCESSFUL GROWTH STRATEGY

- Confirmation of 2023 strategic targets for sustainable, profitable growth
- Outlook for the second half of the year: Sika is expecting more favorable market conditions. With the anticipated improvement in sales volumes, the company expects an over-proportional EBIT increase for the second half of the year.



THANK YOU FOR YOUR ATTENTION

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FORWARD-LOOKING STATEMENT

This presentation contains certain forward-looking statements. These forward-looking statements may be identified by words such as 'expects', 'believes', 'estimates', 'anticipates', 'projects', 'intends', 'should', 'seeks', 'future' or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this presentation, among others:

- Fluctuations in currency exchange rates and general financial market conditions
- Interruptions in production
- Legislative and regulatory developments and economic conditions
- Delay or inability in obtaining regulatory approvals or bringing products to market
- Pricing and product initiatives of competitors
- Uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of research projects, unexpected side-effects of pipeline or marketed products
- Increased government pricing pressures
- Loss of inability to obtain adequate protection for intellectual property rights
- Litigation
- Loss of key executives or other employees
- Adverse publicity and news coverage

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